

Message Text

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ACTION EB-08

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ROME FOR RCAA

E.O. 11652: N/A
TAGS: EAIR, EG
SUBJECT: FINANCING FOR WIDE-BODIED AIRCRAFT SALE TO
- EGYPTAIR

REF: CAIRO 15779

1. SUMMARY. EGYPTAIR V.P. TELLS US HE HAD RECEIVED EXIMBANK LETTER REGARDING PRELIMINARY COMMITMENT FOR AIRCRAFT PURCHASE. HE OPPOSES IDEA OF THIRD PARTY GUARANTEE, BUT APPEARS AMENABLE TO SETTING UP "ESCROW" ACCOUNT. EMBASSY REITERATES IMPORTANCE OF REACHING AGREEMENT TO PROVIDE EXIM FINANCING. END SUMMARY.
2. ON OCCASION OF JULY 3 PRESENTATION TO EGYPTAIR OF MCDONNELL-DOUGLAS PROPOSAL ON WIDE-BODIED AIRCRAFT ACQUISITION, EGYPTAIR V.P. ZIMAITY TOLD EMBOFF THAT HE HAD RECENTLY RECEIVED LETTER FROM EXIMBANK REGARDING PRELIMINARY COMMITMENT FROM BANK ON AIRCRAFT PURCHASE. ACCORDING ZIMAITY, LETTER REQUESTS ADDITIONAL FINANCIAL AND OPERATING DATA, WHICH HE SAID HE WOULD BE ABLE

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PROVIDE WITHIN NEXT TWO WEEKS OR SO. ZIMAITY INDICATED LETTER ALSO REFERS (IT WAS UNCLEAR FROM CONVERSATION IN PRECISELY WHAT TERMS) TO PROVISION OF THIRD PARTY GUARANTEE FOR LOAN AND TO ALTERNATIVE POSSIBILITY OF "TRUST FUND" OR "ESCROW" ARRANGEMENT.

3. ZIMAITY EXPRESSED STRONGLY NEGATIVE VIEW OF IDEA OF

PROVIDING THIRD PARTY GUARANTEE. AMONG OBJECTIONS HE RAISED WAS THAT SUCH GUARANTEE MIGHT SUBJECT EGYPTAIR TO PRESSURE FROM GUARANTOR ABOUT SUCH MATTERS AS CHOICE OF AIRCRAFT. IN CONTRAST, ZIMAITY APPEARED BE GENERALLY AMENABLE TO IDEA OF AN ESCROW FOREIGN EXCHANGE ACCOUNT OF SOME SORT, WHICH WOULD MAKE POSSIBLE SEGREGATION QF PORTION OF EGYPTAIR REVENUES ACQUIRED ABROAD FOR RE-PAYMENT OF LOAN, ASSUMING DETAILS OF ARRANGEMENT COULD BE WORKED OUT TO SATISFACTION OF BOTH BANK AND AIRLINE.

4. ZIMAITY SAID HE HAD RECEIVED RECENT VISIT FROM AIRBUS INDUSTRIE GROUP, INCLUDING REPRESENTATIVES OF FRENCH AND GERMAN EXPORT FINANCING AGENCIES (COFAS AND HERMES) AND OF PRIVATE BANKS EXPECTED ASSIST IN FINANCING. ZIMAITY RECALLED THAT EXIM, DURING HIS RECENT VISIT TO WASHINGTON, HAD EXPRESSED SOME INTEREST IN KNOWING TERMS THAT WERE BEING OFFERED BY EUROPEANS, AND SAID HE WOULD PROVIDE INFORMATION TO BANK ONCE EUROPEAN FINANCING PROPOSAL HAD BEEN PRESENTED.

5. COMMENT: AS FINANCING IS LIKELY BE A MAJOR FACTOR IN INFLUENCING EGYPTAIR DECISION ON CHOICE OF AIRCRAFT, EMBASSY WISHES ONCE AGAIN EMPHASIZE IMPORTANCE IT ATTACHES TO REACHING AGREEMENT THAT WOULD PERMIT EXIM TO PROVIDE SUBSTANTIAL SHARE OF FINANCING FOR EGYPTAIR'S WIDE-BODIED JET PURCHASE. US-MADE SALE TO EGYPTIAN LIMITED OFFICIAL USE

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CARRIER IS SIGNIFICANT IN ITSELF: BY 1986, EGYPTAIR WILL PROBABLY REQUIRE BETWEEN NINE AND ELEVEN WIDE-BODIED AIRCRAFT TO MEET TRAFFIC DEMANDS INDICATED IN TERMS OF REFERENCE FURNISHED TO COMPETING AIRFRAME MANUFACTURER AS BASIS FOR THEIR PROPOSALS. IN ADDITION, EGYPTAIR CHOICE OF AIRCRAFT MAY INFLUENCE SELECTIONS MADE BY OTHER AIRLINES IN REGION IN NEXT FEW YEARS, AND IF EGYPTIAN CONTRACT GOES TO AIRBUS, IT WILL GIVE EUROPEAN MANUFACTURERS EXCELLENT BASE FROM WHICH TT EXPAND MIDDLE EAST SALES. EILTS

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